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Message Text

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ACTION EA-12

INFO OCT-01 NEA-10 ISO-00 IO-13 H-01 L-03 PA-01 SP-02
ICA-11 AID-05 EB-08 NSC-05 TRSE-00 SS-15 STR-07
OMB-01 CEA-01 CIAE-00 COME-00 FRB-03 INR-10
NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 /119 W
----------018744 050738Z /21
R 050526Z JUL 78
FM AMEMBASSY NEW DELHI
TO SECSTATE WASHDC 2563
INFO AMEMBASSY SUBA
AMEMBASSY TOKYO
AMEMBASSY WELLINGTON
AMEMBASSY CANBERRA
AMEMBASSY BANGKOK
AMEMBASSY SEOUL
AMEMBASSY TAIPEI
AMEMBASSY KUALA LUMPUR
AMEMBASSY SINGAPORE
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AMEMBASSY ISLAMABAD
AMEMBASSY KABUL
AMEMBASSY COLOMBO
AMEMBASSY KATHMANDU
AMEMBASSY JAKARTA
AMEMBASSY RANGOON
AMCONSUL HONG KONG

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E.O. 11652: N/A
TAGS: EGEN, ETRD, BEXP, ADB
SUBJECT: U.S. PROCUREMENT FROM ASIAN DEVELOPMENT BANK
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REF: STATE 155300

1. AS REFTEL STATES, INDIA IS A MEMBER OF ADB BUT
DOES NOT BORROW FROM IT. WE HAVE FOUND ON OTHER IFI
PROJECTS, HOWEVER, THAT THE EARLY WARNING LIST AND
THE SERVICES OF MEPD IN WASHINGTON, AS WELL AS OUR

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OWN CCP, MARKET RESEARCH REPORTS, REPORTS OF TENDERS,
PROJECT STATUS REPORTS AND MAUOR TRADE OPPORTUNITIES,
ALL OF WHICH INCLUDE IFI FINANCED PROJECT PROCURE-MENT, HAVE
HAD MODERATE SUCCESS IN ALERTING US FIRMS
TO THE SALES POTENTIAL IN THEM. UNLIKE OTHER ADB
AREAS, JAPANESE COMPANIES DO NOT DOMINATE THE MARKET
HERE, WHERE EUROPEAN COMPANIES HAVE BEEN ACTIVE FOR SO
MANY YEARS. THE STIFFEST COMPETITION FOR US AND OTHER
FOREIGN FIRMS, HOWEVER, ARE DOMESTIC COMPANIES. INDIA
IS A MAJOR INDUSTRIAL COUNTRY WITH BROAD AND SOPHISTI-
CATED CAPABILITIES TO SUPPLY EVEN MAJOR INFRASTRUCTURE
PROJECTS. FURTHER NARROWING THE SALES POTENTIAL IS
THE FACT THAT MOST IFI FINANCED PROJECTS IN INDIA CON-
TAIN LITTLE IF ANY FX COMPONENTS.

2. INDIAN COMPANIES HAVE HAD SOME MEASURE OF SUCCESS
AS SUPPLIERS TO ADB FINANCED PROCUREMENTS. SOME OF
THIS RESULTS FROM THE GORWING NUMBER OF THEIR JOINT
VENTURES IN THE ADB AREA. SOME OF THE GOODS AND
SERVICES CONTAINED IN THE BIDS OF THESE COMPANIES
ARE OF INDIAN ORIGIN. IN ADDITION, THE MINISTRY OF
FINANCE HAS ONE INDIVIDUAL TASKED TO SCREEN EACH
ADB PROPOSED PROJECT FOR THE COMMERCIAL POTENTIAL
FOR INDIAN FIRMS. HE IS RESPONSIBLE FOR NOTIFYING
DIRECTLY ALL INDIANS FIRMS THAT MIGHT BE IN A POSITION
TO EITHER BID DIRECTLY, OR PARTICIPATING WITH OTHER
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POTENTIAL BIDDERS, IN SUPPLYING GOODS OR SERVICES
FOR THE PROJECT.

3. DESPITE OUR NON-INVOLVEMENT IN ADB PROCUREMENTS
HERE, REFTEL INVITES US TO CONTRIBUTE OUR VIEWS ON
THE PROBLEMS OF INCREASING US SALES TO ADB PROJECTS.
FROM OUR VANTAGE POINT IT SEEMS THAT THE PROBLEMS
WE FACE ON PROCUREMENT FOR ADB PROJECTS ARE SOMEWHAT
ANALOGOUS TO THE PROBLEMS OUR COMPETITORS MUST FACE
IN IDB PROCUREMENT. IN THE ADB AREA, WE ARE OPERATING
IN JAPAN'S BACKYARD, WHICH GIVES THEM ADVANTAGES
THAT MUST APPEAR FORMIDABLE TO AN AMERICAN FIRM CON-
SIDERING AN INVOLVEMENT IN AN ADB FINANCED PROJECT.
TO THE LACK OF INTEREST OF MANY US FIRMS IN EXPORTING
GENERALLY, THEREFORE, THERE SHOULD BE THE OBSTACLES OF (A)
A LACK OF CONFIDENCE THAT US FIRMS CAN COMPETE EVEN
IF THE TIME, EFFORT AND MONEY IS EXPENDED FOR THIS
PURPOSE, AND (B) THE LARGE NUMBER OF US EXPORTING FIRMS
WHO HAVE ARRANGEMENTS WITH JAPANESE FIRMS
FOR MARKETING IN THAT AREA.
4. IN ADDITION TO THE NORMAL ADVANTAGES ACCRUING TO THE
JAPANESE IN AN AREA WHERE THEIR COMPANIES ARE MORE

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FAMILIAR WITH THE ECONOMIES AND THE BUSINESS PRACTICE
OF THE BUYER AND ARE GEOGRAPHICALLY CLOSER AT HAND,
THEY OFTEN ENJOY THE FLEXIBILITY OF BALANCING
A BID ON A NEW PROJECT WITH OTHER INTERESTS THEY AL-
READY HAVE IN THE BUYING COUNTRY.

5. THE FACT THAT AMERICAN CONSULTANT FIRMS WIN A HIGH
LEVEL OF CONTRACTS MIGHT BE ATTIRBUTED TO THE NATURE
OF THAT BUSINESS. THERE IS LESS FINANCIAL RISK FOR
CONSULTANT FIRMS THAN OTHER BUSINESSES, THEY HAVE
A HIGH REPUTATION AND THEY ARE MOBILE AND AGRESSIVE. THE
FACT THAT INCREASED BUSINESS FOR US FIRMS DOES NOT
RESULT FROM PROJECT SPECIFICATIONS DESIGNED BY US
CONSULTANT FIRMS MIGHT BE TRACED TO THE GENERAL PAT-
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TERN OF INTERNATIONAL TRADE. US FIRMS PRODUCE EQUIP-
MENT AND MATERIALS FOR THE HUGE US MARKET AND ARE
RELATIVELY INFLXIBLE IN CHANGING THEIR STANDARS FOR
THE EXPORT MARKET. OUR INDUSTRIALIZED COMPETITORS,
FAR MORE DEPENDENT ON TRADE, HAVE STRUCTURED THEIR PRO-
DUCTION FACILITIES TO BE MORE FLEXIBLE, BIDDING WITH
ALMOST EQUAL EASE ON SPECIFICATIONS DRAWN UP BY CON-
SULTANTS OF THEIR OWN COUNTRY AS WELL AS US SPECIFICATIONS.

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NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 /119 W
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6. IN HELPING TO OVERCOME THESE OBSTACLES, GOVERNMENT'S MAJOR CONTRIBUTION MUST BE IN CREATING A BETTER CLIAMATE UNDER WHICH OUR COMPANIES CAN COMPETE - THROUGH TAX,
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TRADE, AND MONETARY POLICIES. GOVERNMENT COMMERCIAL SERVICES, WHILE RELATIVELY MARGINAL, ARE NONETHELESS NECESSARY AND COULD BE EFFECTIVE. TO IMPROVE BOTH POLICIES AND SERVICES, WE AGREE SEVERAL CASE STUDIES OF PREVIOUS ADB FINANCIAL PROJECTS WOULD BE HELPFUL.

7. MOST DEVELOPING COUNTRIES HAVE BOTH MEDIUM AND LONG TERM ECONOMIC DEVELOPMENT PLANS. WE BEIEVE THAT IT IS IN THESE WHERE THE SEEDS OF FUTURE PROJECTS CAN FIRST BE FOUND. US FIRMS CAN BE MORE EFFECITVE IF THEY CONTACT LOCAL INSTITUTIONS WHEN THE PARAMETERS OF A PROJECT ARE JUST BEGINNIG TO BE DISCUSSED WITHIN THE HOST COUNTRY. CONSEQUENTLY, WE BELIEVE MORE DETAILED REPORTING ON HOST COUNTRY PLANS BY FOREIGN SERVICE POSTS MIGHT BE HELPFUL. IN TURN THESE COULD BE TRANSLATED INTO MARKET OPPORTUNITIES BY THE EXPORT PROMOTION SERVICES IN WASHINGTON AND DISSEMINATED TO ENCOURAGE OUR FIRMS TO EXPLORE THE POTENTIALS IN THEM.

8. THE EXIMBANK IS ANOTHER AVENUE WE BELIEVE COULD BE USED TO BETTER ADVANTAGE IN ENNCOURAGING US FIRMS TO EXPLORE ADB FINANCED PROJECTS. IN THE PAST, EXIM HAS TENDED TO FOCUS MUCH OF ITS RESOURCES IN AREAS WHERE WE ARE ALREADY COMPETITIVE, I.E., AIRCRAFT, OFFSHORE DRILLING EQUPMENT AND NUCLEAR FACILITES. HOWEVER, THE

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EXISTENCE OF EXIMBANK AS A CO-FINANCER OR GUARANTOR OF
A PART OF A DEVELOPMENT PROJECT EVEN WHERE WE ARE LESS
COMPETITIVE IN ITSELF ENCOURAGES GREATER INVOLVEMENT OF
US BANKS AND COMPANIES IN THESE PROJECTS. INCREASED
PARTICIPATION BY EXIM IN ADB PROJECTS, THEREFORE, SHOULD
BE HEPFUL IN DRAWING IN MORE US FIRMS.

9. THE PROBLEM OF ENCOURAGING SMALLER US FIRMS TO INTEREST
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THEMSELVES IN ADB PROCREMENTS FACES THE SAME PROBLEMS
INHERENT IN ENCOURAGING THEM TO MOVE INTO EXPORTING GEN-
ERALLY. THE SYSTEM OF EARLY ALERTS, TRADE OPPORTUNITIES,
ACTIVITIES IN COMMERCE DISTRICT OFFICES, AND OTHER SERVICES
PROBABLY COULD BE FURTHER IMPROVED. OUR COMPETITIORS OVER-
COME THIS PROBLEM NOT ONLY BY NATIONAL POLICIES THAT EN-
COURAGE GREATER EFFORT IN EXPORTING, BUT THROUGH THE
EXISTENCE OF LARGE AND EFFICIENT TRADING HOUSES CAPABLE
OF REPRESENTING A WIDE SPECTRUM AND A LARGE NUMBER OF
COMPANIES. UNLESS SOME SIMILIAR ORGANIZATIONS ON THE US
BUSINESS SCENE CAN BE FORMED, IT IS UNLIKELY SMALLER US
FIRMS CAN EVER BECOME A MEANINGFUL FACTOR IN ADB PRO-
CUREMENTS.

10. ONE SUGGESTION IN REFTEL IS TO ENOUCRAGE MORE US
FIRMS, AND ESPECIALLY SMALLER COMPANIES, TO WORK WITH
US TRADING HOUSES AND TO PROVIDE MORE SERVICES TO THE
TRADING FIRMS THEMSELVES. ANOTHER SUGGESTION WAS THAT
MORE US FIRMS SHOULD BE ENCOURAGED TO WORK WITH US
CONTRACTORS ON ADB PROJECGS. WE BELIEVE NEITHER OF
THESE AVENUES PROVIDES AN EFFECTIVE MEANS OF INCREASING
OUR SALES TO ADB PROJECTS. BIG US TRADING COMPANIES
HAVE LARGELY DISAPPEARED FROM THE INTERNATIONAL SCENE
OVER THE LAST 30 YEARS. THOSE THAT STILL EXIST CANNOT
BE COMPARED TO THE SIZE AND EFFECTIVENESS OF THE TRADING
HOUSES OF OUR COMPETITORS, ESPECIALLY THE JAPANESE. TO
REVITALIZE THEM TO A LEVEL NECESSARY FOR EFFECTIVELY
COMPETING, EVEN IF POSSIBLE, WOULD LITERALLY REQUIRE
YEARS. AT THE SAME TIME, AS REFTEL STATES, US CONTRACTOR
FIRMS ARE NOT COMPETITIVE IN THE ADB AREAS.

11. WE BELIEVE THE POSSIBILITY OF USING OUR COMMERCIAL
BANKS FOR THE SAME PURPOSE SHOULD BE EXPLORED. THE
FUNCTION THAT MAKE THE TRADING HOUSES OF OUR COMPETITORS
SO EFFECTIVE IS THEIR ABILITY TO "PACKAGE" APROPRIATE
FIRMS, INCLUDING PARTICIPATING FINANCIAL INSTITUTIONS
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FOR EACH INDIVIDUAL PROJECT. THEY HAVE THE FINANCING, THE COMMUNICATIONS AND THE LIAISON WITH A WIDE SPECTRUM OF THEIR OWN COMPANIES WHICH THEY THEN USE VERY EFFECTIVELY IN PACKAGING THEIR BIDS. IN OUR VIEW, THE US BUSINESS ORGANIZATION WHICH MOST CLOSELY RESEMBLES THIS KIND OF CAPABILITY US COMMERCIAL OPERATING OVERSEAS. THERE ARE FEW, IF ANY, LEGAL IMPEDIMENTS PREVENTING OUR COMPANIES FROM ORGANIZING IN THIS WAY OUTSIDE OF THE US. A STUDY ON POLICIES AND SERVICES NEEDED TO ENCOURAGE OUR COMMERCIAL BANKS TO PROVIDE THIS FUNCTION FOR ADB PROJECTS MIGHT PROVE USEFUL.
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Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: a409fc7a-c288-dd11-92da-001cc4696bcc
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Original Classification: LIMITED OFFICIAL USE
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Review Release Event: n/a
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Review Withdrawn Fields: n/a
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Secure: OPEN
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TAGS: EGEN, ETRD, BEXP, US, ADB
To: STATE
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/a409fc7a-c288-dd11-92da-001cc4696bcc
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